

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58012

**LAKEHAVEN UTILITY DISTRICT**

King County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: February 14, 1997

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**LAKEHAVEN UTILITY DISTRICT**  
**King County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Board of Commissioners  
Lakehaven Utility District  
Federal Way, Washington

We have audited the financial statements, as listed in the table of contents, of the Lakehaven Utility District, King County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated December 13, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted instances of noncompliance of regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

December 13, 1996

LAKEHAVEN UTILITY DISTRICT  
King County, Washington  
January 1, 1995 Through December 31, 1995

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Schedule Of Findings

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1. District Management Should Comply With State Law Relating To Procurement Of Engineering Services

The district was not in compliance with state law relating to the process of procuring engineering services in that it did not use established criteria to evaluate firms in the selection process.

RCW 39.80.040 states:

In the procurement of architectural and engineering services, the agency shall encourage firms in the lawful practice of their profession to submit annually a statement of qualifications and performance data. The agency shall evaluate current statements of qualifications and performance data on file with the agency, together with those that may be submitted by other firms regarding the proposed project, and shall conduct discussions with one or more firms regarding anticipated concepts and the relative utility of alternative methods of approach for furnishing the required services and then shall select therefrom, **based upon criteria established by the agency**, the firm deemed to be the most highly qualified to provide the services required for the proposed project. (Emphasis ours.)

While the district solicited requests for qualifications from engineering firms in July 1994 and December 1995, we found no documented rational basis for the selection of firms for specific projects.

The purpose of state laws regarding procurement is not only to protect public resources but to protect public employees and officials as well. As a result of the lack of established criteria and documentation to support the rationale used to select engineering firms, the district has suffered from accusations of interference by its public officials in the procurement of engineering services. These accusations cannot be proven or disproven because of the lack of documentation.

District management has since taken steps to implement appropriate policies and procedures to ensure compliance.

We recommend the district use preestablished criteria to determine the firms most qualified for specific projects and retain the records documenting the selection process.

Auditee's Response

*While the District believes that at all times during the audit period the selection of engineering consultants was made on the basis of the selected firm's superior qualifications to perform the work, we agree that a lack of corresponding documentation may well bring into question an otherwise valid*

*selection process. As noted in the report, the District has adopted procedures both to ensure the proper designation of selection criteria to be used in the selection process for engineering consultants and to provide the related retention of selection documentation. Our experience with these procedures to date indicates that they effectively serve the intended purpose of ensuring a fair, efficient and accountable selection process.*

2. District Management Should Comply With State Laws Relating To Procurement Of Small Works Construction

RCW 56.08.070 allows the district to award contract projects, the estimated cost of which is less than fifty thousand dollars, by utilizing the small works roster process provided in RCW 39.04.155. We found the following instances of noncompliance relating to the district's small works roster process during 1995:

- a. District management did not solicit contractors for inclusion on the public works roster.

RCW 39.04.155 states:

At least twice a year, the municipality shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of the roster or rosters and solicit the names of roster or rosters.

- b. District management did not post the small works contracts awarded at least once every two months.

RCW 39.04.200 states:

Any municipality that utilizes the small works roster process established in RCW 39.04.155 to award contracts for public works projects . . . must post a list of the contracts awarded under RCW 39.04.155 . . . at least once every two months.

Not having appropriate policies and procedures in place to comply with state law could result in a conflict or the appearance of a conflict of interest. It could also result in the district not securing the best price for a project.

These instances of noncompliance were the result of staff previously responsible for compliance with the small works process being displaced. District management has since taken steps to implement appropriate policies and procedures to ensure compliance.

We recommend district management, regardless of staffing changes, make the necessary effort to comply with state procurements laws related to small works contracts.

Auditee's Response

*The District acknowledges its failure to comply with the requirement that it publish, at least twice yearly, notices of the existence of the small works roster during 1995 as well as its failure to post awarded contracts at least once every two months during this audit year. As noted in the draft report, the failure to cause notice of the roster to be published was the result of staffing changes. We accept the responsibility to comply with these mandates regardless of employee displacement and have, as further noted, taken steps to ensure future compliance.*

#### Auditor's Concluding Remarks

Based upon the response, the issues delineated in our report appear to have been addressed. We will review these areas again in our subsequent audit.

We would like to express our appreciation to staff for their assistance and cooperation throughout the audit process.

**LAKEHAVEN UTILITY DISTRICT**  
**King County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Financial Statements**

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Board of Commissioners  
Lakehaven Utility District  
Federal Way, Washington

We have audited the accompanying financial statements of the Lakehaven Utility District, King County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lakehaven Utility District at December 31, 1995 and 1994, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

Brian Sonntag  
State Auditor

December 13, 1996